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TO RUEHC/SECSTATE WASHDC PRIORITY 4704

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STATE FOR EEB/ESC, ISN/CPI, EUR/WE, NEA
TREASURY FOR IA/OEE W.LINDQUIST

E.O. 12958: DECL: 05/05/2018

TAGS: EINV EPET IR SP

SUBJECT: REPSOL, SHELL REPORTEDLY SEEKING TO SELL IRAN GAS
CONCESSION

REF: A. MADRID 465

1B. MADRID 418

1C. 07 MADRID 270

Classified By: Charge d'Affaires Hugo Llorens for reason 1.4(d)

11. (U) Repsol and Shell will sell their joint 50% stake in natural gas development in Iran's South Pars block 14, according to reports in the Spanish business press. The two firms are reported to be negotiating an agreement with the GOI in which they would give up their concession in exchange for an agreement that would allow them to obtain concessions on other blocks that they could develop once the political situation is more stable. One article said Repsol and Shell were seeking concessions for blocks 23 and 24, which would be developed in the next decade. The firms also are reported to be working with the GOI to seek a partner -- possibly Russia's Gazprom, India's IOC, or a Chinese firm -- to take over the block 14 concession.

12. (U) The press reports cited USG pressure and also technical/economic factors as having contributed to the decision. The GOI reportedly wants to develop block 14 as soon as possible, because it is near the border with Qatar and the GOI fears that the Qataris will extract most of the gas if Iranian development is delayed. Repsol and Shell reportedly did not want to begin the project in June, because the increase in construction costs of gas liquefaction (LNG) plants would mean that they would want to renegotiate their existing contracts. One article said that the production from block 14 would now be used for the Iranian domestic market or for export by pipeline, rather than LNG export.

13. (C) Comment: Repsol CEO Antonio Brufau had told the Ambassador April 28 that Repsol had decided to sell its concession options and that its board would vote that week to do so. Post has repeatedly emphasized to Repsol and to the GOS the USG's concerns about this project (reftels), and the decision is a sign that the pressure has paid off. Nonetheless, with Repsol reported not willing to completely cut ties to the GOI, we do not expect that this decision, however welcome, will lead to a major change in GOS views on hydrocarbons investment in Iran.

Llorens